

## Credit Rating Report (Initial)

### Hakkani Pulp & Paper Mills Limited

Particulars	Ratings	Remarks
Hakkani Pulp & Paper Mills Limited	BBB <sub>1</sub>	
BDT 475.6 million Long Term Outstanding	BBB <sub>1</sub> (Lr)	
BDT 170.0 million Short term Funded limits	ST-3	Vide Appendix-1
BDT 187.0 million Short term Non funded limits	ST-3	
Outlook	Stable	

*ST-Short Term; Lr - Loan Rating*

**Date of Rating:** 31 March 2022

**Validity:** The ratings are valid up to 30 March 2023.

**Rating Based on:** Audit report up to 30 June 2021 and bank liability position as on 28 February 2022 and 30 March 2022, and other relevant quantitative as well as qualitative information up to the date of rating declaration.

**Methodology:** CRAB's Corporate Rating Methodology ([www.crab.com.bd](http://www.crab.com.bd))

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#### Financial Highlights

	Year ended June 30		
	2021	2020	2019
Net Sales (BDT in Mil)	390.0	473.1	484.0
EBITDA (BDT in Mil)	90.5	105.0	82.7
EBITDA Margin	23.2%	22.2%	17.1%
Net Profit (BDT in Mil)	(14.5)	(3.0)	(20.2)
Net Profit Margin	-3.7%	-0.6%	-4.2%
Return on Average Assets	-1.0%	-0.2%	-1.6%
Quick Ratio (x)	0.7	0.6	0.54
Debt to Equity (x)	1.6	1.4	1.3
Borrowed Fund to EBITDA (x)	8.5	6.7	7.7
CFO (BDT in Mil)	(48.4)	(41.2)	(0.8)
FCO (BDT in Mil)	(58.6)	(55.6)	(291.5)
EBIT/Interest (x)	0.8	1.1	0.9

#### ■ PROFILE

Hakkani Pulp & Paper Mills Limited (HPPML), a paper and tissue manufacturing company was incorporated on December 28, 1996 as private limited company and converted into a public company limited by shares in 2001. HPPML started its commercial operation on November 01, 2003. The company is listed with both Dhaka Stock Exchange Ltd and Chattogram Stock Exchange Ltd in 2001. Currently, the company has been running with consolidate production capacity (Paper & Tissue) of 13,500 Metric Ton per year. Their factory is located at Halim Kharchar, Patiya, Chattogram and registered office is located at 2/10 Dhaka Trunk Road North Pahartali Chattogram.

#### ■ RATIONALE

Credit Rating Agency of Bangladesh Limited (CRAB) has awarded BBB<sub>1</sub> (Pronounced Triple B One) rating in the Long term to Hakkani Pulp & Paper Mills Limited (hereafter referred to as HPPML or the Company) and BBB<sub>1</sub> (Lr) rating to BDT 475.6 million long term outstanding. CRAB has also assigned ST-3 rating to BDT 170.0 million aggregate Short terms Funded limits and BDT 187.0 million non funded limits.

The rating also took into consideration ability of the Company to meet financial obligation, financial condition of HPPML and outlook of the industry along with macroeconomic indicators like growth of gross domestic product (GDP) of the country and the sector's contribution to GDP, rate and trend of inflation, price movement of materials.

In addition to macroeconomic and microeconomic factors, the rating also reflects experience and competence of management with regard to demand management and forecasting, effectiveness of marketing, financing, operating, procurement and pricing policies of the Company.

'HAKKANI GROUP' started its journey in 1973 with 'Hakkani Refuelling Station (Unit-1)' under the leadership of Mr. Md. Abdullah, the founder of the Group. At present, four units are running under the Group having exposure in paper mills, transport and filling station. After the death of Mr. Abdullah on 30 April 2021, Mr. Md. Golam Kibria (son of Mr. Md. Abdullah) became Managing Director of Hakkani Pulp & Paper Mills Limited.